

OIL AND GAS LEASE

Instr: 201012280052766
P: 1 of 2 F: \$48.00 12/28/2010
Rick Campbell 11:22AM LEAS
Stark County Recorder T20100043620

Agreement: Made and entered into the 20th day of December 2010 by and between GARY MCKINNEY and CATHERINE MCKINNEY husband and wife, 5880 RAVENNA AVE SE, WAYNESBURG, OH 44688 hereinafter called lessor (whether one or more), and FOLTZ AND FOLTZ LIMITED PARTNERSHIP of 4700 RAVENNA AVENUE S.E., EAST CANTON, OH 44730, hereinafter called lessee:

1. Witnesseth: That lessor, for and in consideration of 1.00 Dollar cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let, and by these presents does grant, demise, lease and let unto lessee, exclusively, for the purposes of prospecting and exploring by geophysical and other methods drilling, mining, operating for and producing oil and gas, and of laying pipelines, building and maintaining roadways and of building tanks, power stations and structures thereon to produce, treat, save, care for and remove said production, all that certain tract of land situated in the Township of OSNABURG, County of STARK, State of OHIO, described as follows, to wit:

BOUNDED ON THE NORTH BY LANDS OF ASHLEY&JOE PAULIN
BOUNDED ON THE EAST BY LANDS OF INDIAN RUN CHRISTIAN CHURCH,S & G BELLAMY,W & O REICHARD,R A FOLTZ
BOUNDED ON THE SOUTH BY LANDS OF G MCKINNEY
BOUNDED ON THE WEST BY LANDS OF N McDONALD,T & M NELSON

of Section 34 Township OSNABURG Range and containing 77.372 acres, more or less, and including all lands and interests therein, contiguous or appurtenant to said described land and owned or claimed by lessor, whether or not specifically described above.

2. It is agreed that this lease shall remain in force for a primary term of Two (2) years from this date and if lessee shall commence to drill within said primary term or any extension thereof, lessee shall have the right to continue drilling completion with reasonable diligence; said term shall extend as long thereafter as oil and gas, or either of them is or can be produced by lessee from said land or from a communitized unit as hereinafter provided.

3. It is agreed that this lease covers only the Clinton sands formation.

4. In consideration of the premises lessee covenants and agrees:

To deliver to the credit of lessor, free of cost, into tank reservoirs or into the pipe line to which lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

To pay lessor one-eighth (1/8) of the gross proceeds at the wellhead, payable quarterly, for the gas from each well where gas is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas at the wellhead. Where such gas is not sold or used for a period of one year, and there is no producing gas or oil well on said land or on a communitized unit, as hereinafter provided, including said land, lessee may pay or tender as royalty the sum of One Dollar (\$1.00) multiplied by the number of acres subject to this lease at the end of each such one year period, payable annually at the end of each such year during which gas is not sold or used, and while such royalty is so paid or tendered this lease shall be held as a producing property under the above paragraph setting forth the primary term hereof.

To pay lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds, payable monthly at the prevailing market rate at the wellhead.

Lessor agrees to pay one-eighth (1/8) of any and all taxes levied or assessed upon the production of oil or gas from said land, and lessee is hereby authorized to pay such taxes and assessments on behalf of lessor and to deduct the amount so paid from any monies payable to lessor hereunder.

5. If no well be commenced on said land on or before the 20 day of December 2011, this lease shall terminate as to both parties unless lessee shall on or before that date pay or tender to lessor or lessor's credit in the Bank at

 or its successors, as lessor's agent, which shall continue as the depository regardless of changes in ownership of said land, the sum of \$5.00 per acre per year which shall operate as a rental and cover the privilege of deferring the commencement of a well. The payment herein referred to may be made in currency, draft, or check at the option of lessee and the depositing of such currency, draft or check in any post office, with sufficient postage and properly addressed to lessor, or said bank, on or before said last mentioned date, shall be deemed payment as herein provided. In like manner and upon like payments of tenders, the commencement of a well may be further deferred for like periods of the same number of months successively during the term of this lease. It is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also lessee's option of extending that period as aforesaid and any and all other rights conferred.

6. If during the primary term of this lease and prior to the discovery of oil or gas, lessee shall drill a dry hole or holes on this land or land communitized therewith, or, if during the primary term of this lease production on this land or on land communitized therewith shall cease from any cause, this lease shall not terminate provided, within 12 months from the expiration of the last rental period for which rental has been paid or before the next ensuing rental paying date, whichever occurs later in time, operations for the drilling of a well shall be commenced or lessee tenders the payment of rentals in the manner and amount hereinbefore provided.

7. If lessor owns a less interest in the above described land than the entire undivided fee simple estate therein, then the royalties and rentals therein provided for shall be paid to lessor only in the proportion which lessor's interest bears to the whole and undivided fee.

8. Lessee shall have the right to use, free of cost, gas oil and water produced on said land for lessee's operation thereon except water from the wells of lessor. When requested by lessor, lessee shall bury lessee's pipe line below plow depth. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of lessor. Lessee shall pay for damages caused by lessee's operations to growing crops on said land. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

9. For the purpose of oil and/or gas development and production under this lease, lessor does hereby grant to lessee the right to pool or communitize said premises, or any part thereof, with other land to comprise an oil and gas development unit of not more than approximately eighty (80) acres, but lessee shall in no event be required to drill more than one well on said unit. Each unit may be created by lessee's recording in the Register Of Deeds Office within the county or counties in which said unit is situated, an instrument identifying the unit so created. If such oil or gas well shall not be drilled on the premises herein leased it shall nevertheless be deemed to be upon the leased premises within the meaning of all the covenants, expressed or implied, in this lease, and lessor shall participate in the one-eighth (1/8) royalty from such oil and/or gas development unit only in the proportion that the number of acres owned by lessor within the limitations of such development unit bears to the total number of acres included therein. At the option of lessee, a diagonal well spacing pattern may be followed.

10. Notwithstanding anything to the contrary herein contained or implied by law, all present and future rules and regulations of any governmental agency pertaining to well spacing, drilling or production units, use of material and equipment or otherwise shall be binding on the parties hereto with like effect as though incorporated herein at length.

11. If the estate of either party hereto is assigned and the privilege of assigning in whole or in part is expressly allowed the covenants hereof shall extend to their heirs, executors, administrators, successors, or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on lessee until 30 days after lessee has been furnished with a written transfer or assignment or a true copy thereof, and rentals shall be adjusted in accordance with such change of ownership or assignment at the next succeeding rental anniversary after receipt by lessee of evidence satisfactory to lessee of such change of ownership or assignment. It is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands and the assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them such defaults

shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands upon which the said lessee or any assignee thereof shall make due payments of said rentals.

12. If the leased premises are now or shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each separate owner bears to the entire leased acreage. Provided, however, if the leased premises consist of two or more non-abutting tracts, this paragraph shall apply separately to each non-abutting tract, and further provided that if a portion of the leased premises is hereafter consolidated with other lands for the purpose of operating the consolidated tract as one lease, this paragraph shall be in-operative as to such portion so consolidated. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks.

13. Lessor hereby warrants and agrees to defend the title to said lands herein described and agrees that lessee shall have the right at any time to redeem for lessor, by payments, any mortgage, taxes or other liens or the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and the undersigned lessors for themselves and their heirs, successors, and assigns, hereby surrender and release all rights of dower and homestead in the premises herein described, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made as recited herein.

14. Lessee may at any time surrender this lease as to all or any part of the lands covered thereby, by delivering or mailing a release thereof to lessor, if the lease is not recorded, or by placing a release thereof of record in the proper county, if the lease is recorded; and if surrendered only as to a part of said lands, any delay rentals or acreage payments which may thereafter by payable hereunder shall be reduced proportionately.

15. Lessor to have privilege of taking 300,000 cubic feet of gas produced from said well annually free of cost with no guarantee as to supply. Hookup and maintenance at lessor's own risk and expense.

16. Lessor to have right of first refusal in the event of sale of production or in the event of plugging.

17. This lease shall not be assigned or transferred without the consent of Lessor.

IN TESTIMONY WHEREOF WE SIGN, This the 20th day of December, 2010.

Catherine McKinney

Catherine M McKinney

Gary McKinney

Gary McKinney

STATE OF Ohio
COUNTY OF Stark } SS


ACKNOWLEDGMENT TO THE LEASE

On this 20th day of December, 2010, before me, the undersigned, a Notary Public in and for said county, in the State afore said, personally appeared Catherine McKinney + Gary McKinney

to me known as the person described in and who executed the foregoing instrument and acknowledged that he had executed the same as his free act and deed.

Lee C. Elliott
Notary Public, Stark County

My Commission Expires Jan 22, 2012


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